

United States of America DEPARTMENT OF COMMERCE	DEPARTMENT ADMINISTRATIVE ORDER <u>213-2</u>	
<b>DEPARTMENT          ADMINISTRATIVE          ORDER SERIES</b>	DATE OF ISSUANCE  August 7, 1985	EFFECTIVE DATE  August 2, 1985
SUBJECT  INSPECTOR GENERAL INSPECTIONS		
<p><u>SECTION 1. PURPOSE.</u></p> <p>This Order describes the authority, responsibilities and procedures for inspections conducted by the Office of Inspector General.</p> <p><u>SECTION 2. AUTHORITY.</u></p> <p>.01 The Inspector General Act of 1978, 5 U.S.C. app. (1982), provides the Office of Inspector General (OIG) with authority to review and inspect the programs and operations of the Department of Commerce. All OIG inspection activities will be carried out by or under the direction of the Office of Planning, Evaluation and Inspections (OPEI), headed by the Assistant Inspector General for Planning, Evaluation and Inspections (AIG/PEI)</p> <p>.02 The Inspector General (IG) also is authorized by the Inspector General Act to have access to all records, reports, audits, reviews, documents, papers, recommendations and other material available to the Department regarding Department programs and operations.</p> <p><u>SECTION 3. POLICY.</u></p> <p>.01 Available OIG resources have allowed for audit coverage of less than one percent of the Department's activities each year, permitting many potential management deficiencies to go undetected; and reducing the possible deterrence of fraud, waste and mismanagement through an OIG presence. Because of the need to provide broader review coverage to an expanded spectrum of Department activities, the Inspector General has created the OIG inspection program.</p> <p>.02 An inspection is a brief review of a Department activity, in the field or in headquarters, or of an organization that has a contract with the Department or is a recipient of Department financial assistance. A Department activity may include a Departmental office or operating unit, or a subunit, field office, facility</p>		

or function of such office or operating unit. Inspections are intended to:

- a. gather current information about administrative and programmatic problems while there is time to correct them; and
- b. highlight for Department managers those activities that are being performed well.

An inspection differs from an audit in terms of timeliness, depth of inquiry, and procedures that govern its performance. An inspection may involve an assessment of internal controls, the identification of ineffective, inefficient or uneconomical management and administrative practices, and an evaluation of user satisfaction, program results and compliance deficiencies, as well as the identification of effective and efficient programs and operations.

.03 Normally, inspections will be conducted by teams of two to four OIG personnel that may include auditors, criminal investigators, management analysts, computer specialists, program analysts, procurement analysts or attorneys.

#### SECTION 4. RESPONSIBILITIES OF OIG.

The OPEI, to the extent resources are available and with the cooperation of the other offices in the DIG, shall perform inspections of Department activities and outside organizations in accordance with the policies and procedures established in this Order.

#### SECTION 5. RESPONSIBILITIES OF DEPARTMENT OFFICIALS AND EMPLOYEES.

.01 General. Secretarial Officers and the heads of operating units are responsible for ensuring compliance with Department policies; executing internal controls, policies and procedures developed to prevent fraud, waste and abuse in their programs and operations; extending full cooperation to the OIG in implementing an effective inspection program; and objectively reviewing and evaluating inspection observations and recommendations. Although Secretarial Officers and heads of operating units do not have to accept all inspection recommendations, they must take timely action on all accepted recommendations, and provide justifications for the rejection of recommendations.

#### .02 Inspection Liaison.

- a. Each Secretarial Officer or each head of an operating unit shall appoint a senior official as inspection liaison, who will be the primary contact between OIG and the Departmental office or operating unit at the headquarters level for the conduct of inspections. Where practicable, the audit liaison under DAO 213-3, "Inspector General Auditing," should be appointed the inspection liaison.

b. Within thirty days after the effective date of this Order, each Secretarial Officer or operating unit head shall notify the OPEI of the name and telephone number of the person designated as inspection liaison.

.03 Requests for Assistance. Department officials shall direct requests for inspections as set forth in paragraph 6.02 of this Order. Department officials may at any time direct to the personal attention of the IG any inspection matter which is deemed urgent or unusually sensitive.

.04 Cooperation with the OIG. It is Department policy that all employees fully cooperate with the OPEI so that inspections may be conducted and brought to a prompt and appropriate conclusion.

.05 Access to Records. Each Departmental office or operating unit and each employee shall allow OPEI, upon request, access to and copies of records, reports, audits, inspections, reviews, documents, papers, recommendations, or other materials available to it. OPEI shall handle such materials consistent with all current laws and regulations protecting the confidentiality of the information. In conformity with law, Department officials shall also provide the necessary authorization for OPEI access to computer and other data or records when such are kept by another government agency or by any outside contractor, grantee or other recipient of Department assistance.

.06 No Reprisals. No employee or official who has authority to take, direct others to take, recommend, or approve any personnel action, shall direct any employee to refrain from making a complaint, reporting information or cooperating with the OIG. Further, no employee or official shall take or threaten to take any action against any employee as a reprisal for making a complaint, disclosing information to or cooperating with the OIG, or for evidencing an intention to do so, unless the complaint was made or the information disclosed with the knowledge that it was false or with willful disregard for its truth or falsity.

#### SECTION 6. PROCEDURES FOR INSPECTIONS.

.01 Annual Inspection Plan. The Inspector General has the final authority to select the activities that OPEI will inspect. After appropriate consultation with Secretarial officers and the heads of operating units, the AIG/PEI will prepare an annual inspection plan for approval by the IG. This inspection plan shall take into account the annual audit plans of the OIG, scheduled audits and reviews by the General Accounting Office in the Department, and scheduled internal control reviews. In order to ensure that unannounced

inspections remain confidential, the approved inspection plan will not be disseminated outside the DIG. The annual inspection plan may be changed as necessary by the Inspector General.

.02 Requests for Inspections. Department officials may request inspections as needs arise. Routine requests shall be directed to the AIG/PEI and will be acknowledged within one week of receipt. When possible, OPEI will perform such inspections.

.03 Inspection Notifications.

a. Normally, inspections will not be announced until the OIG inspection team arrives at the activity to be inspected. Simultaneous with the arrival of the inspection team, OPEI will notify the appropriate inspection liaison that an inspection is underway.

b. In those cases where an unannounced inspection is impractical, OPEI will give advance notice to the appropriate inspection liaison and other appropriate officials of the Departmental office or operating unit involved. Normally, inspections of Department activities outside the continental United States will be announced in advance.

.04 Conduct of Inspections.

a. Prior to an inspection, OPEI will:

1. Obtain and review pertinent information about the activity to be inspected, including its mission, goals, budget, staffing, reports, and any other relevant data already available to OIG;

2. Coordinate the proposed inspection with other OIG offices including the relevant OIG regional offices; and

3. Prepare a brief plan which contains the purpose, objectives, and scope of the inspection, including special matters to be reviewed.

b. Normally, an inspection team will remain on-site for one week, although circumstances may require that the length of stay be extended.

c. Upon arrival at the inspection site, the team leader will brief the senior official-in-charge on the objectives and general scope of the inspection, introduce team members and arrange for the conduct of the inspection.

d. Specific elements of an inspection may include:

1. Interviews with employees of the inspected activity;

2. Interviews with individuals outside the inspected activity, as necessary and appropriate. These persons may include users or beneficiaries of the activity's services and individuals in organizations that work with the inspected activity ;

3. Physical surveys of the site being inspected, and of the activities carried out there;

4. Examination of selected documents and records, as necessary;

5. Upon completion of the on-site inspection, a detailed exit briefing to the official-in-charge on the preliminary findings of the inspection team.

e. Within a week after completion of the on-site inspection, OPEI will arrange through the inspection liaison to brief senior officials of the inspected activity's headquarters. This briefing is intended to provide timely information to managers and a forum to discuss sensitive findings and issues. Open and candid discussions of inspection results help ensure that inspection findings are factual and that conclusions and recommendations are sound and reasonable.

f. Within 45 days of completing the inspection, the OPEI will prepare a written report on the inspection results including, when applicable, recommendations for corrective action. For cause, the IG may extend the time for issuing a report, based on a written justification submitted by the AIG/PEI. The report will be issued in draft to the inspection liaison for review and comment by the appropriate officials of the involved Departmental office or operating unit, who may include the Secretarial Officer or the head of the operating unit. The officials must submit written comments on the draft report to the AIG/PEI within a maximum of 30 calendar days from its date of issuance.

g. The reactions of officials to the OIG inspection observations and recommendations are a critical part of the inspection process. Officials are encouraged to include in their responses candid comments on the OIG observations and specifically shall:

1. for each OIG finding or recommendation that is accepted, briefly indicate the corrective action(s) taken or proposed to be taken on each accepted finding;
2. for each OIG finding or recommendation that is rejected, state the reasons for the disagreement.

h. The AIG/PEI will issue a final report 30 days from the date of the response to the draft report. In the final report, the AIG/PEI will address the comments received on the draft report, including opposing views, and append to the

report a copy of the written response. OPEI may, as appropriate, include a rebuttal in the final report. When a Departmental office or operating unit fails to respond to a draft report within the required thirty days, the AIG/PEI may issue the inspection report in final without comments, after consulting with the Departmental office or operating unit and determining whether a time extension for a response is justified.

#### SECTION 7. REFERRALS TO THE OFFICE OF INVESTIGATIONS.

Indications of fraud, serious abuse of authority, or other criminal activity discovered during an inspection shall be referred to the Assistant Inspector General for Investigations (AIGI). Matters that have been referred to the AIGI will not be discussed in the relevant inspection report, except when directed by the IG, and will be handled under DAO 207-10, "Inspector General Investigations."

#### SECTION 8. REFERRALS TO THE OFFICE OF AUDITS.

During an inspection, major problems may be identified which require more review and analysis. Such problems will be referred to the Assistant Inspector General for Auditing for a determination whether to schedule an audit. if necessary, an audit may be initiated immediately.

#### SECTION 9. HANDLING OF INSPECTION REPORTS AND INSPECTION INFORMATION.

##### .01 Dissemination of Inspection Reports.

a. Both draft and final inspection reports will be submitted to Department officials who have the responsibility for taking action on the reported matters. Copies of final inspection reports will be furnished by OIG to other Department officials who have a need for the reports in the course of their work, as determined by the Inspector General.

b. The availability of any inspection report in response to a Freedom of Information Act or Privacy Act request will be determined by the OIG initially, regardless of lead agency responsibility for answering the request. All requests for copies of inspection reports shall be referred to the AIG/PEI promptly upon receipt by the Departmental office or operating unit, in accordance with applicable Department procedures.

.02 Security of Inspection Reports. Inspection reports shall be marked "For Official Use Only" when deemed necessary by the IG or the AIG/PEI. As such, they become subject to applicable Department security regulations concerning administratively controlled materials, as prescribed under DAO 207-2, "Information and Physical Security Programs."

.03 Inquiries Concerning Inspection Work. Inquiries to a Departmental Office or operating unit concerning OIG's inspection activities, either work which is contemplated or in progress, Shall be referred to the AIG/PEI.

SECTION 10. CORRECTIVE ACTION ON INSPECTION REPORTS.

As stated in Paragraph 5.01 and Subparagraph 6.04g. of this Order, responses to inspection reports are required to state which findings and recommendations are accepted and to describe the corrective actions taken or planned. On a selective basis and after consideration of the timeframes set by the office or operating unit for implementing the agreed-upon actions, OPEI may conduct a follow-up visit to the inspected activity to evaluate the corrective actions taken. The follow-up will be conducted in accordance with the requirements of this Order. Appropriate officials will be provided a written memorandum on the results of the follow-up inspection, and may be requested to provide an additional response to follow-up findings.

signed by  
Inspector General

Approved by  
Secretary of Commerce